

Frequently Asked Questions about eligibility, enrollment, and tax implications

1. UNDER WHICH INSURANCE PLANS MAY I ENROLL MY SAME-SEX SPOUSE AND MY SPOUSE'S ELIGIBLE DEPENDENTS?

You may enroll your same-sex spouse and your spouse's eligible dependents in your medical/prescription plan, dental plan, vision plan, AFLAC, Dependent Life Insurance and Legal Resources. Flexible Spending Accounts will depend on whether or not your same-sex spouse is a tax dependent (see Question # 7).

2. WHAT EVIDENCE IS REQUIRED FOR SAME-SEX SPOUSE COVERAGE?

As with any employee who wants to add a spouse to healthcare coverage, you must provide a copy of your official Marriage Certificate (must be a certified copy and dated by the appropriate official such as the Clerk of the Court).

3. WHO QUALIFIES AS AN "ELIGIBLE DEPENDENT" OF MY SAME-SEX SPOUSE FOR GROUP INSURANCE PURPOSES?

The following dependents of your same-sex spouse are eligible dependents **for insurance purposes**:

- The children (biological, legally adopted or placed with you for adoption) of your same-sex spouse up to age 26 (provided they are not eligible for coverage through their spouse or their own job).
- A disabled child of your same-sex spouse, if the child becomes physically or mentally disabled while covered and the disability begins prior to age 26. Proof of continuing disability may be required by CareFirst.

4. WHAT WILL IT COST ME TO COVER MY SAME-SEX SPOUSE?

The actual rate you pay will depend upon the plan you enroll in, but CCG will treat your same-sex spouse in the same manner that we would treat an opposite-sex spouse. If you have individual coverage and enroll your same-sex spouse, you will have Employee + Spouse coverage. If you have Individual coverage and enroll your same-sex spouse and their dependent child (ren), you will have Family coverage.

The rates are listed on our website at <https://www.charlescountymd.gov/hr/benefits/employee-health>.

Currently, all of our rates are deducted from our paycheck on a pre-tax basis. Under federal tax law, because a same-sex spouse is not recognized, a portion of the rate may be withheld on a pre and post-tax basis.

5. HOW DOES THE ADDITION OF MY SAME-SEX SPOUSE AND MY SPOUSE'S ELIGIBLE DEPENDENTS TO MY EMPLOYEE BENEFIT PLAN AFFECT MY TAX SITUATION?

While certain states now recognize same-sex marriage, the federal government, which regulates our Section 125 benefit plans, does not. Under federal tax law, only certain dependents of an employee may qualify to receive employer-provided health coverage on a tax-free basis. If coverage is provided to a same-sex spouse and/or child other than a qualified tax dependent under Section 152 and 105(b) of the IRC, federal income and payroll tax consequences will result. You will incur additional taxable income ("imputed income"). The imputed income, like your other wages, will be subject to income tax withholding and to payroll taxes. In addition, health

care expenses of the same-sex spouse and/or child would not be reimbursable under a healthcare flexible spending account.

6. WHAT IS IMPUTED INCOME?

If your same-sex spouse and/or their child(ren) is not considered a tax dependent (see Question #7), meaning that you cannot claim them as a dependent on your federal tax return, the value of CCG's contribution toward the coverage is considered wages, subject to tax withholding. This is known as imputed income by the IRS, and is taxable to you.

The imputed income is the difference between what CCG currently pays on your behalf and what CCG will pay for your new level of coverage.

Below is a table showing the FY13 costs and employee rates for HMO coverage.

<u>Plan Option</u>	<u>Total Monthly Premium</u>	<u>CCG Monthly Share</u>	<u>Bi-weekly payroll deduction</u>
Individual	\$352.46	\$246.72	\$52.87
Employee & Spouse	\$810.67	\$567.47	\$121.60

Below is a table that illustrates the calculation of the imputed income for the coverage that includes a same-sex spouse.

<u>Plan Option</u>	<u>Monthly Imputed Income</u>	<u>Annual Imputed Income</u>	<u>Imputed Income/pay (24 pay periods)</u>
Employee & Spouse	\$320.75	\$3,849.00	\$160.38

In the example above, an employee with Individual coverage marries and enrolls the same-sex spouse. The coverage changes to Employee & Spouse. CCG contributes \$246.72/month towards Individual coverage and \$567.47/month towards Employee & Spouse. Therefore, the imputed income is the difference between \$567.47 and \$246.72 or \$320.75/month.

Enrollment in dental and AFLAC coverage would be treated similarly. You are encouraged to consult with your tax advisor about the impact of imputed income on your overall tax planning.

7. HOW DO I PROVE THAT MY SAME-SEX SPOUSE IS A TAX DEPENDENT?

If your same-sex spouse qualifies as a dependent under Section 152 IRC, you may sign the Affidavit for Dependent Tax Status form and you will not be subject to imputed income.

A same-sex spouse may qualify as a **tax dependent** if:

- They receive more than half of his/her support from the employee taxpayer for the entire taxable year;
- They have as his/her principal place of abode the home of the employee taxpayer and is a member of the employee taxpayer's household for the entire taxable year;
- They are not someone else's "qualifying child" for tax purposes; and
- They are a US citizen, national or resident or a resident of a country contiguous to the U.S.

A same-sex spouse's child may qualify as a **tax dependent** if:

- The child is your biological, adopted or stepchild
- You provide more than half of the child's support for the entire taxable year; and
- They are not claimed as a qualifying dependent child by any other taxpayer for the taxable year